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THE ROLE OF REAL ESTATE AGENTS IN THE DEVELOPMENT OF SECOND HOMES OWNERSHIP: A CASE FROM TWO DANISH, RURAL MUNICIPALITIES

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The role of real estate agents in the development of second homes ownership: a case from two Danish, rural municipalities

ABSTRACT

In this paper, we present some results from a study commissioned by the Danish Food Industry Agency, which addressed the process of conversion of all-year houses to second homes in two very different rural areas in Denmark, with particular focus on potential for development and settlement. The second home phenomenon is placed in a Danish setting and related to local economic and demographic trends. Availability of houses of the certain standard and size is found to be very important, along with access to the coast and other nature areas. Drawing on the interviews carried out for the study, we assess the role of real estate agents when houses change status and a new type of owners enter the local communities.

INTRODUCTION

All over Europe, rural areas experience difficulties in attracting and holding on to residents. In Denmark, some municipalities have started giving dispensation from residential requirements for all or parts of their area, making possible outsider ownership but not necessarily dwelling, leading to more seasonal and “touristic” use of former all-year houses and small farms (see for instance Kaae et al 2007, DRVPS 2005). The main drivers of this process, like in neighbouring countries are demographic trends and irreversible changes in rural production systems (Hall et al 2009, Gallent et al 2005). In this paper we look to two particular municipalities, Vejen in central-southern Jutland (814 km², population 43.000) and Langeland, an island SE of Funen (291 km², population 14.000). Vejen is currently experiencing population growth, while the situation for Langeland is the opposite, along with a higher average age (see Figure 1 below).

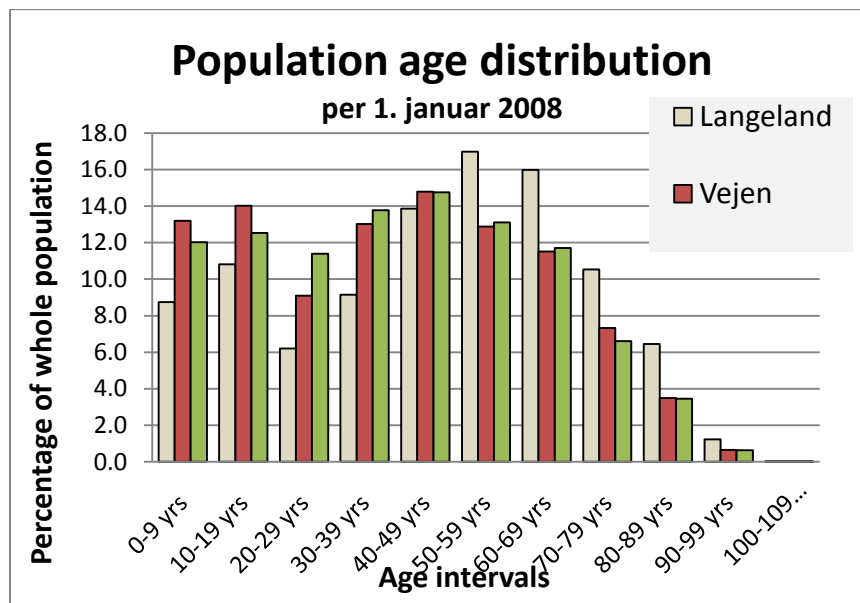


Figure 1 Age distribution the ten-year intervals in Vejen and Langeland municipalities, compared with national average values. Data from Statistics Denmark, www.statistikbanken.dk

In Denmark, second homes are in a grey area between residence and tourism, partly due to regulations on ownership and use of properties in the countryside, such as residence requirements, and partly to strict zoning regulations, where special “summer house areas” have been created, see definitions on page 5. Also particular to Denmark is the strict ownership restrictions for foreigners.

Following the ongoing debate on rural and peripheral areas, second homes have caught the attention of policy makers at national level, sparking a demand for evidence on the phenomenon. The inquiry was commissioned by The Danish Food Industry Agency (DFFE) and carried out by the Danish Institute of Rural Research and Development (IFUL). The interest on behalf of DFFE was to investigate the potential of not enforcing regulation of active dwelling, after which house owners are required to actually live in the houses they own, unless used for rental purposes. After negotiating the terms of the commission with DFFE, it was decided to focus the inquiry on one predominantly rural and peripheral municipality and compare it with another which was less peripheral. Furthermore, it was decided to put particular emphasis on the perspective of how former agricultural properties (small-holdings of between 0.55 and 2 hectares) could maintain being an asset for rural areas, instead of ending up as abandoned properties. The findings of the commissioned survey has been published as an IFUL report (Kjeldsen et al 2009).

BACKGROUND

In the international literature, second homes is described ambiguously, with examples of a number of positive and negative effects locally. A review of current research, however shows that the second home phenomenon should be seen in a local or regional development perspective. The review also shows huge differences in the way “second homes” are defined. In this work, second homes are defined as non-recreative or all-year dwellings, used only part-time. Due to reasons stated above, particular concern has been given to the abandoned agricultural properties with small plots of land.

Concerning the geographical location of second homes, the Danish Agency for Spatial and Environmental Planning (BLST 2007, 19) has observed that “second homes ownership particularly is found in areas with special amenity values”. However, such amenity values may not be the only reason for people to acquire a second home in Denmark. Proximity to urban centers has been proposed as another reason (Marjavaara and Müller 2007), so amongst other possible research questions, it would be relevant to clarify whether the (average) distance from primary to second homes in rural settings is different from the distance to second homes closer to urban centers. However, it must be kept in mind that second homes in respectively rural and (sub-) urban environments are bought with different use in mind (Oxley et al. 2008) There is reason to believe that second homes in towns are acquired in relation to work and study, while for second homes in villages or in the open land, the main attraction and determining factor will be landscape and nature. Still, a second home should be a place that one can reach several times per year during ones free time.

One reason for increased second home ownership could be improved infrastructure, especially in the form for motorway construction. This has been of particular importance in England, and meant that larger areas have come within realistic travel time from the densely populated places, including areas with particularly scenic or special nature. Another factor of importance for

decisions on if and where to purchase a second home is the price level (Gallent, Mace, and Tewdwr-Jones 2005, 212). As part of a Danish assessment similar to the U.K. efforts (Oxley et al. 2008), a Danish survey (Kaae, Nielsen, and Karlsen 2007) identified four types of second home development processes, depending on a combination of tourism demand and local pressures, as illustrated in Figure 2.

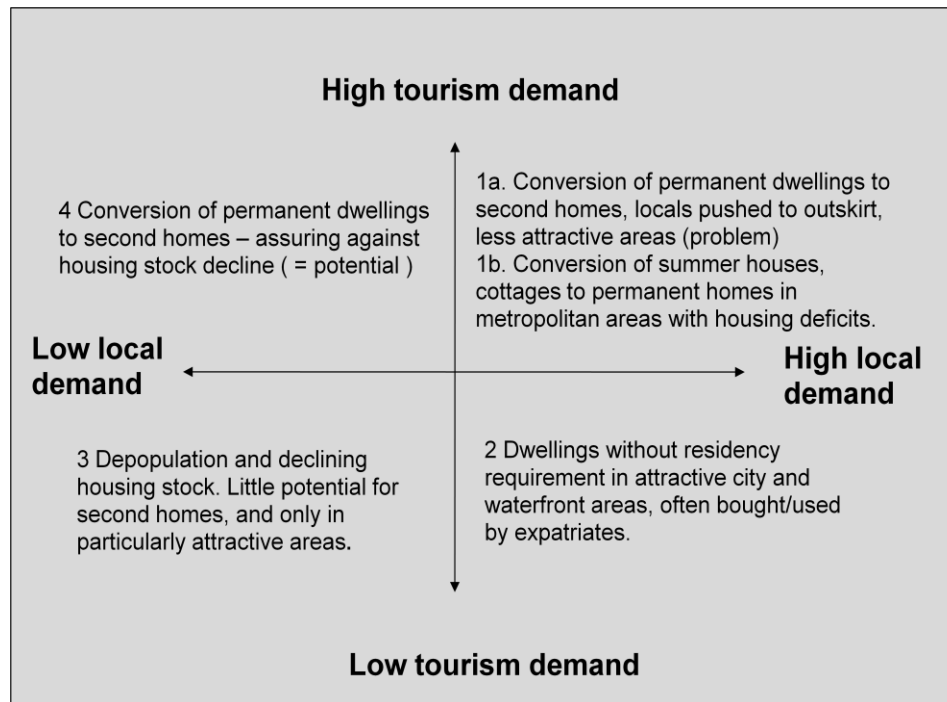


Figure 2 Classification of types of second home development relating to tourism and housing demands. Translated from (Kaae, Nielsen, and Karlsen 2007, 11).

In the Danish debate on challenges from and means to regulate second homes development, our study area Langeland has been mentioned as an example of a “type 4” area, where partly opening up for sale of all-year houses to be used as second homes in *selected parts of the municipality* has been mostly successful, and for instance secured houses against decline (ibid p. 18-19). Vejen, in contrast would be placed in type 2, bordering on type 3 for the most peripheral parts of the municipality, and being without attractive waterfront or similar townscapes. We find the proposed typology and the figure useful for further work on description and comparison of second home developments in different rural and peripheral areas, also across national borders.

To better understand the process(es) leading to second home development, it is important to know the target group or potential actors as second homes owners. Is it young families wanting their children to grow up away from stressful conditions in crowded cities? Or older people with economic surplus, looking for closer contact with nature, peace and quiet? The figures from England show a tendency to concentration of owners in the age interval from 45 to 64 years (Oxley et al. 2008, 40). This could indicate that when second home owners reach their mid-sixties and retire from their jobs, they choose to move permanently to their second home. They will then have a good chance of enhancing the housing standard of the “second-turned-permanent home”, as they generally have a high income (ibid).

In a recent Danish survey (DRVPS 2005), the observations above were mostly confirmed. The survey included 46 interviews with second home owners on Langeland and neighbouring island Ærø, having an average age of 54 years. 81 percent were still active on the labour market, and almost half of the households had an income above DKK 500,000 (EUR 67,000). Many of the interviewees expressed an intention to move permanently to the second home at the later stage.

In order to facilitate a more structured discussion and target research questions, and given the often ambiguous language in which the second home / holiday home field is being described, see for instance the discussion in (Hall and Müller 2004, chapter 1), we compiled this tentative list of terms, for the context within which second home development is taking place *in Denmark*:

- **Second home:** House or apartment owned or rented, but used only part-time by someone with main address elsewhere (possibly some distance criterion).
- **All year house:** House built for residential (and thus not recreational/tourist) use.
- **Summer house:** House or cottage built for recreational/tourist use, or converted from all-year-house.
- **Small-holding:** Former agricultural property with acreage below 2 ha and no particular requirements to cultivation or residence (apart from what otherwise applies to the area)
- **Town/urban zone:** Built-up residential, commercial or industrial areas.
- **Land zone:** Areas in the open land and most villages. Agricultural activities normally have highest priority and other activities require a dispensation or special local area planning. Also conversion to urban zone required legally binding local plan.
- **Summer house zone:** A special rural area, for recreational/tourist use. Created in order to concentrate summer house development and prevent sprawl across the open land.

The over-all zone types Town, Land and Summer House were formalized in the 1970 Planning Act (Enemark 2002). They are designated by the municipalities, as part of their spatial planning process. Data on delineation of areas and history of their status available as public service, for instance <http://www.plansystemdk.dk/>. We used the zoning data from this server for segmentation of property data, when creating the overview map in Figure 3. The Danish summer house market, including detailed analysis of ownership structure has recently been analysed by Hjalager (2009), as part of a national research initiative focusing on “the second dwelling”.

THE STUDY: APPROACH(ES) AND METHODS

After a literature survey and a Geographical Information System (GIS) -based study based on property ownership registers, key informants were found in municipal administration (planners and “development consultants”) and with local and regional real estate agents. In total, 14 interviews were conducted with real estate agents. Also, at a later stage local representatives of the local communities, thought to represent different groups of stakeholders. However we will here focus on the information given by the real estate agents and their views on the process of transformation to second homes for large parts of the building mass in certain areas. The information gained from the real estate agents was used in two ways. In an initial phase, it was used to identify areas with the potential for second home development and to give us a first impression of the extent of the phenomenon. That, along with other criteria, led us to focus further and more

in-depth research on Langeland. Later in the project, the information was used to identify which local areas and communities that should be addressed and (in that process) where interviews should take place (see also Figure 3).



Figure 3 Spatial distribution of properties identified as possible second homes from registry data. Background map (1:200,000) provided by Danish National Survey and Cadastre, reproduction only by permission.

SOME RESULTS

The comments from real estate agents in the two municipalities, on the use of existing permanent dwelling for second homes were quite different. The difference is closely related to the geographical location: Vejen is situated in the middle of the Jutland peninsula, while Langeland is an elongated island (52 km, at the broadest 11 km across, see Figure 3). The importance of location for the number of houses available for second home use also becomes clear from the interviews conducted

with real estate agents from the two municipalities. As one real estate agent from Vejen puts it *"Now, we're a bit outside that area [of interest] so to say, you probably have to be closer to the coastal areas"*. Another issue, pointed to by a number of the respondents, was that second home development is mostly taking place in the areas where the houses are hardest to sell, a characteristic that fits well with Langeland. Langeland is a municipality in the periphery, following different definitions, with decreasing population, which contributes to the presence of empty houses and supply exceeding demand locally. It was confirmed by the real estate agents, that some of these houses are eventually sold for second home use. One agent even stated that: *"Many of the houses that we sell outside the towns, they are actually used as second homes, but still registered as whole-year-dwellings"*.

Concerning pricing, the whole year houses sold as second homes are sold cheaper than comparable summer houses. This price difference is however not the only, or most important, reason that some buyers go for a former all-year house as their second home. Estate agents on Langeland state that the buyers of all-year houses are another type of people than those buying and owning summer houses. As one of the estate agents say *"they [the buyers] often prefer houses that are different from the summer houses"*. For instance, isolated/quiet locations are preferred, such as at the end of a dead-end road, as stated by another estate agent *"the buyers are people who want to experience nature in a different way from the summer house owners"*.

On Langeland, the real estate agents gave a consistent description of which houses that attract potential buyers, when the objective is part-time use. Many of the houses sold for second home use are idyllic peasant houses, characterized for instance by having thatched roof. A large part of them is in need of a thorough renovation in the process of conversion to second home, and in most cases the sale for second home is indeed followed by large renovation works, generally resulting in a higher building standard. This again leads to higher property prices on Langeland, although according to the real estate agents, not to a level where local buyers are kept out of the market.

The buyers of the former agricultural small-holdings to be used as second homes are mainly in the age between 40 and 60. It is people who like to work with the house and garden they have acquired, townspeople who can here carry out activities that were not possible where their daily life take place. According to one real estate agent: *"They don't go and sit on the terrace, reading a book. Those you buy a fine summer house, where nothing needs to be done, might do that"*. They are also described as someone who have a possibility to work from home now and then, and thereby spend more time in their second home while still active on the labour market.

Concerning modifications to the residency requirements still in place in most Danish municipalities and the overall legislation, the real estate agents see advantages as well as drawbacks for the rural areas. One advantage will be that more houses are maintained and saved from decline, among the drawbacks they mention the risk of some villages being almost completely abandoned in winter and dwindling tax revenues locally. This is in almost complete agreement with the arguments brought forward in the international literature (Oxley et al 2008, Gallent 2005, Hall and Müller 2004), and thus confirms that the development our study areas does not deviate from general trends. Further, the real estate agents on Langeland agree that it would on average take longer time to sell a house, if residential requirement were being enforced, and they therefore have an interest in keeping such regulations to a minimum.

Based on the statements and observations here, there seems however to be significant differences between summer house owners/occupants and second home owners, with different positions on a tourist/visitor-dweller/community member scale. These possible cultural differences claimed, should be tested in interviews with the second home owners themselves, preferably supplemented with longer periods of observation in the local areas, at different times of year (in- and off-season).

CONCLUSIONS AND DISCUSSION

We conclude that the real estate agents not only are very useful as informants about the process, but also active agents of change, through marketing of the properties to relevant groups of costumers. But, as opposed to claims to other writings on second homes, and a general agreement that transformation to second homes leads to increased price level in certain areas, no evidence is found for a gentrification process and related disadvantages for the local population, in the two areas that was investigated. This (seen as beneficial to the local communities) could be due to regulations and to the supply still keeping up with demand.

In the broad, international picture, we see that some of the important issues addressed academically is also on the local agenda, while other issues are particular for the Danish setting, such as the price differences between summer houses and second homes, as well as the perceived difference between second home owner and summer house occupants. The observations on the importance of amenities such as nature and sea view was fully in line with the consensus in the literature, but could be further verified by use of public databases on prices development and analysis using GIS software.

We could not make any clear conclusions on whether second home development was beneficial for the local communities, but rather observe that most locals, including the real estate agents, see this process is inevitable and try their best to make the most of it. Further research should address the role of the second home owners, and in particular the decision making process(es) leading to acquisition of the second home, a process in which the estate agents play a central role.

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